

Money *Matters*

The Consumer Debt Net Newsletter November 1997

No 3/97

Welcome to Finland!

The European Conference on "Debt advice networking – ways forward" was held in Aulanko Conference Centre, Hämeenlinna in Finland on The 3–5 September 1997. It was an extremely successful conference with many participants.



The conference was hosted by The Guarantee Foundation and was opened by their executive director Leena Veikkola, to the right. To the left Sanna Helesuo, project worker.

Contributions from:

**Denmark ★ Ireland ★ Sweden ★ England
and from the conference in Finland**

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Message from the Editor



Hello and Welcome to the last Money Matters of 1997. This issue has concentrated on providing a summary of the joint CDN and Guarantee Foundation European conference held in Hämeenlinna, Finland, in early September this year. Thanks go to Leena Veikkola and everyone in Finland who worked so hard to make this event happen. Thanks also for the speeches and workshop notes made available by them to allow Money Matters to write the summary.

The conference was a great success and was well attended by delegates from over 20 countries in Europe.

Also included in this issue are some examples of work, that is being undertaken, with children to introduce them to the concepts of money management.

Once again we remind every one of you reading this that the newsletter depends on you for articles, so if you have some issue, news or a plea for partners in a project then put pen to paper, fingers to keyboard and send it to us. Deadline for the next issue is mid January 1998.

The team of Money Matters wish everyone A Merry Christmas and a Happy New Year.

Joan Conlin



From Cradle to Grave: The Danish Social Security System

*This article is reproduced from Denmark Review&Business News 1/1997.
The material does not necessarily reflect the opinion of the Royal Danish
Ministry of Foreign Affairs.*

Denmark is known world-wide for its extensive social welfare system. Social security and services are provided primarily by the government. However, in recent years, the changing nature of the population has meant that more and more money needs to be spent to maintain the high standards of the welfare system and there have been a number of calls for a review of the provision of services.

The foundations for today's welfare state were laid in the 1930s when the Social Democrat, Th. Stauning, was Prime Minister. In 1933 the first social law was passed and over the years this law has been renewed and refined, evolving into the impressive legislation which exists today.

Decent Living Conditions

The basic idea behind the law is that it is society's responsibility to provide support for those people unable to provide for themselves. Under the law, every member of the population has the right to decent living conditions and all citizens are guaranteed fundamental rights should they become unemployed or ill, or when they reach old age.

With these principles, it is perhaps not surprising that the cost of providing

social welfare has proved to be a substantial drain on the government's resources.

These financial pressures have increased the intensity of the debate on how to make social legislation more affordable, without undermining any of the principles of welfare.

Danes and their Society

Society has changed significantly since the early days of Danish welfare legislation. In the 1930s the population was three million compared to today's



level of over five million people. There is also a much higher proportion of elderly people compared to the rest of western Europe. The pressure on welfare services is likely to be compounded by the predicted fall in the number of young people in the population over the next few years.

The average Danish household has also changed and is developing differently to the rest of western Europe. In Denmark, the average number of people living in a household is 2.2, significantly lower than in other European countries. This could be the result of more one parent families and a fall in the number of people choosing to have children.

In terms of living standards, Danes have higher than average purchasing power compared to the EU average. Nearly a third of the workforce works in the public sector, with just one fifth in manufacturing and only five percent employed in agriculture.

The percentage of Danes aged between 14 and 64 on the labour market is 81 %, which is also much higher than the EU average of 65 %. This is probably because of the larger numbers of women who have jobs in Denmark (77% compared to the EU average of 51%).

The retirement age in Denmark is also relatively high and the fact that in a

typically Danish household, both parents work puts an added pressure on public services such as child - care facilities and services for the elderly.

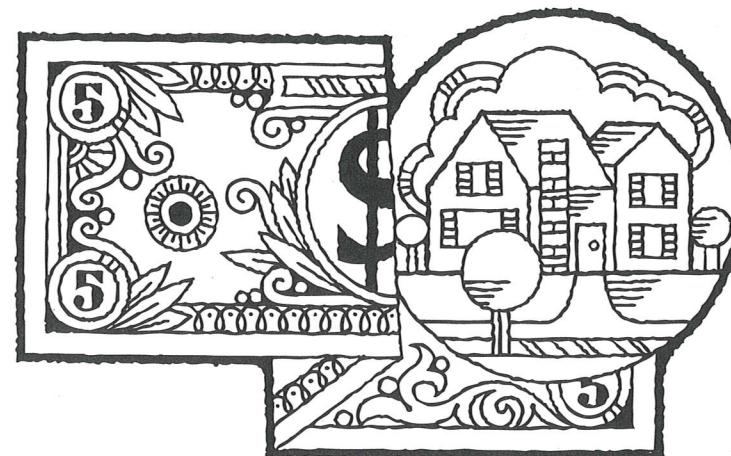
Unemployment stands at around 10 percent (roughly the same as the EU average) although youth unemployment is 11 %, 9 % below the EU average.

Over three quarters of the population lives in towns or urban areas and two thirds of these are single family

policy closer to the people. Today, the day to day responsibility rests with the local and county authorities, while the government takes care of the relevant statutory and economic frameworks.

International Context

In a domestic context, the social sector does not have to fund all areas of



households. Housing standards are high, with 86% of dwellings having modern conveniences and a mere 50% with less than one room per occupant.

Financed by Taxes

Nearly all social welfare services are funded by direct and indirect taxation, with about nearly half of all public expenditure being used to provide such services. In order to make incomes more equal, Danish families have access to welfare support and because of this only 4 % of families in Denmark live below "the poverty line" as defined by the OECD.

Danes also enjoy a high level of support for child care and old age. Both these areas are affected by the high numbers of women working in Denmark. In many other countries, woman take the responsibility for these areas of care, thus reducing the demand on state services.

Over the last twenty years, there has been increased emphasis on shifting responsibility for implementing social

community support. Housing policy, for example, is dealt with by the Ministry of Housing and unemployment benefit, health care and hospitals come under the Ministry of Labour and the Ministry of Health respectively.

The Model Threatened

When drawing up social policy, it is important to consider other factors and their effects, such as culture, health, education, housing, leisure time and so on. This means there is much co-operation between social policy and other sectors.

However, although Danish social policy is successful, it is under threat from rising unemployment and the increasing financial burden on the government and indirectly, on individuals in society. Denmark is not alone in its dilemma of trying to maintain an extensive and far-reaching social policy while cutting down the costs of such welfare schemes. Acknowledgement of

the fact that this situation will affect many countries has prompted Denmark and other western European countries to try and set up a dialogue to try and solve this complex problem.

One answer has come from the Danish Minister of Social Affairs, Karen Jespersen, who three years ago launched a campaign to encourage private enterprise to take more social responsibility. The campaign emphasises the need for areas of society to play some part in the welfare system. The Ministry of Social Affairs was insistent, however, that the idea was not to transfer all duties to private enterprise. The State was still to be seen as an essential and integral part of the welfare system. It was thought however, that private enterprise is often able to solve and prevent many social problems which, in the past had fallen to the Ministry of Social Affairs.

There has so far been a number of successes in galvanising the private sector into action. The employment of those less able to work, improved cohesion between family and working life, company policies to help those people heading for retirement and the support of voluntary work are just a few of the initiatives taken up to now by private businesses to alleviate stress on the social system.

In addition, private enterprises are now more ready to experiment in such new policies and are finding out that there can be benefits in establishing these types of community links and social partnerships. In 1996 the Minister for Social Affairs established a network of prominent business managers to guide and inspire the campaign. In this way, the scheme forms part of modern business development, as well as providing a solution to the social welfare challenge. Denmark is attempting to safeguard the premise of its social welfare system, while at the same time facing up to the new financial pressures which have occurred as society changes. Involving private business seems, at this relatively early stage, to be just one way of tackling the dilemma and Denmark hopes that in creating international dialogue on the subject, further solutions may be found.

News from Ireland



Irish Banks Information Service develop Education programmes on Money

The Irish Banks Information Service (IBIS) have developed two education programmes, Paymaster and **Money-Go-Round** for use in schools. These programmes, jointly financed by the five clearing banks to a total of £3 00,000, have been developed in close consultation with end-users, including teachers panels, student panels, Department of Education and parents associations. The aim of the programmes is to develop a better understanding of money, budgeting and personal financial management

Money-Go-Round

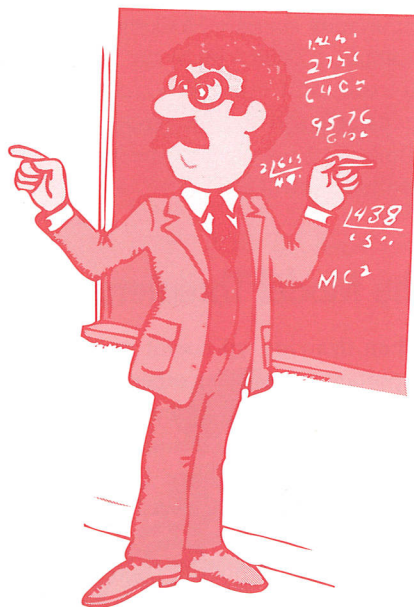
The award winning programme **Money-Go-Round** was designed for use in Primary Schools in 1995 to help pupils to develop an early understanding of money, finance and the value of saving. The programme has had an enormous degree of success. Indeed, independent research has shown that of the 94% of teachers who had used the **Money-Go-Round** resource pack, 96% believe that the programme greatly helped their pupils to develop a basic understanding of money and finance. More than 90% of teachers found that the main elements of the resource pack have a high educational value and that they fit in either very or quite well with the curriculum.

The programme, aimed at pupils between the ages of 8-12 years old, is the story of money told through an interactive mixed media format that is suitable for different levels of ability, there is a

focus on Maths and Social and Environmental areas.

One pack of the **Money-Go-Round** resource material has been issued free of charge to every Primary school, the pack includes:

- Video, using graphics to demonstrate equations and concepts, music to reinforce the concepts, signs, foreign currency and questions posed by characters in the different units within the video.



- Audio soundtrack that allows pupils the opportunity to work on Activity pages while listening to the tape and questions to allow for stimulation and class response.
- Plastic coins.
- Activity pages linked by an Icon tag to the different units of the video, that

can be photocopied for use in schools and at home.

The video units address such issues as "Shopping around", questions asked include, How much are the apples?, How much did you save?, How much change do I get?, and Where did the money come from in the first place? It looks at money through the ages, the money factory, what happens in a bank, foreign exchange and finally it provides a dictionary quiz.

The Paymaster Programme

The **Paymaster** programme is a follow-on to the extremely successful **Money-Go-Round** programme and has been designed to help prepare post primary students for regular financial responsibilities - including payments, credit and budgeting. Not only has it been developed by teachers for teachers in response to demand for suitable resource materials on personal finance and payment methods but also to relate to the Intermediate Certificate Business Studies syllabus and to the Leaving Certificate Home economics syllabus.

Each post primary school is being supplied free of charge with two full sets of the programme resources; one for use by the Business studies section and one for the Home Economics courses. Each resource pack includes:

- A 32 minute video, which uses drama, pop text and graphics to illustrate key money management concepts.

- A set of teachers notes designed to generate classroom activity and learning in the areas of "Personal Finances", "Borrowing and Repayment", "Techno (electronic) Payment" and "You're in Control" (money management).
- Specimen ATM, Credit and Cheque Guarantee cards, this allow students "hands on" understanding of plastic money and electronic banking.

- Specimen Cheque Book, to allow students to learn how to write cheques.

- An Internet site facilitating schools with ready access to the materials.

The programme focuses on being in control of one's finances and explores such topics as different types of personal finance payments, forms of credit, credit cards, loans and mortgage applications, budgeting and interpreting financial

statements, 24 hour banking and information technology.

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The MISSOC Network

MISSOC (the Mutual Information System on Social Protection) is a network set up by the European Commission in 1990 and consists of officials from each EU Member State.

The main function of the network is to publish annually, comparative tables setting out each Member State's social protection system. The tables contain wide-ranging and comprehensive data, including, the financing and legislative basis of social security schemes, rates of payment and qualifying conditions applicable to the schemes etc. The tabular format facilitates, for example, comparison of current rates of social insurance contribution applying in the Member States in a given year.

MISSOC also publishes information bulletins at quarterly intervals which

provide details of recent developments in social protection in the European Union. MISSOC publications are circulated to a wide range of organisations, including policy makers, academics, trade union representatives and employer organisations in addition to government bodies responsible for social protection in the European Union. They serve as a valuable comparative tool for analysing trends in social protection in the Member States and measuring developments in social protection.

The MISSOC network holds biannual Meetings which rotate with the E.U. Presidency. These meetings provide a forum for the exchange of information in relation to current trends and developments in the social protection systems within the European Union. In addition, the meetings facilitate the

ongoing review of the comparative tables for the purpose of making the information in the tables more accessible to users. To this end, the European Commission intends in the course of this year to enable on-line access to the MISSOC data bank.

Creating computerised access will mean that it will no longer be necessary to send a user who wishes to access data relating to just one Member State the entire MISSOC tables (600 pages in length!). It will also greatly simplify cross referencing comparisons within MISSOC and provide further references for seeking additional information in, for example, the data banks of Member States.

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Web Watch

John Lawless of Waterford MABS in Ireland has suggested that one way of promoting the flow of information on practices and procedures in relation to debt issues is to start a "Web Watch" column. The idea behind this is that people working in this area pass on to Money Matters details of any websites that they or their organisation have, or others of which they may be aware. All relevant web addresses received by Money Matters will be listed in the Web Watch column in each issue.

John has started the ball rolling by providing the web address for his agency, Waterford Money Advice and Budgeting Service, Ireland as well as that of another web site which he informs us is full of useful European information.

Waterford MABS 5:
<http://1www.welfare.ie/sws/grant/money.html>
European Info:
<http://1europa.eu.int/en/com/opoce/wel.html>

We look forward to receive many more website addresses to help build this valuable resource.



Money Advice and personal social change

Discussions about financial problems are often about how to increase the client's income. Research shows that a significant number of people have expenditure difficulties. This article is based on a comparative study of theories about money, application of legislation, inquiries about social welfare clients and studies concerning households receiving budget guidance.

from the budget advisory service, they did not expect financial aid but they did want help with dealing with their expenses.

Those seeking help under "the income perspective" (or an expectation of receiving cash) were

- more inclined to take a passive role in resolving their problem,
- not dealing with the real problem they were just treating the symptom,
- in danger of becoming more dependent on the system,
- seeing the social services as there to provide money and a service and not to encourage them to change.

Those seeking help under "the expenses changing to match income perspective" (i.e. those receiving budgeting advice) showed that it promoted:

- A feeling of being actively involved.
- A process of change.
- The process dealt with the reasons for the economic problems which in turn led to independence.

The interesting point is that help which was not linked to receiving money resulted in a more positive feeling because it led to approaching life from a different perspective and not simply dealing with the urgent crisis situation.

The theory re-inforces the fact that money is not only a means of payment. It has different functions for different people. Money can be used to provide a settled family life and a relationship, to compensate for a guilty conscience, to regulate unfair circumstances and feelings of guilt. The way in which money is used

can also demonstrate or display social status or belonging to a group.

An important question to ask is; what role does financial difficulties play in a person's life?

Often the role of money has become so closely linked to a family pattern of living that it may reduce the desire and the opportunity of the family to change their economic circumstances. It is important that a budget advisor recognises and acknowledges the problems that may exist within the family. The family situation will affect how the client responds to advice and any proposed budget plan.

Knowledge and motivation are two essential concepts in the provision of household economic advice. Knowledge about the consequences of financial difficulties and the motivation for change are very important. If this knowledge is lacking then it may lead to a paralysis of action and passivity which could make the person's health and their financial circumstances worse. It could even result in physical abuse and/or drug abuse.

Research shows an increasing level of alcohol consumption and consumption of drugs in tablet form in connection with economic problems. The debt problems are now so extensive in today's society that they must be taken seriously. Attention must be focused upon the social and medical consequences of financial problems, the stress they cause and how the families can be helped.

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Lisbeth Sandvall, budget adviser



A Local Initiative

Gloucester Citizens Advice Bureau is a local independent advice agency that is part of a National network of advice agencies. Citizens Advice Bureau provide a generalist advice service dealing with a wide range of enquiries at many different levels. However, as well as this generalist service many of them also provide a money advice/debt counselling service.

Gloucester CAB were recently successful in obtaining funding from The National Lottery Board in the UK when one of the aims of their proposed project was to promote financial literacy. Bureau manager Jill Matley tells how and why she set out to tackle this subject at the first level.

"I am frequently told by my clients that they have never been taught how to manage money, and they wished that school had helped them. There seems to be a number of financial literacy schemes for secondary school children, but many are business orientated, and I felt that children of 10 years were not too young to learn about "money matters". I set to work and devised a programme of seven afternoon school sessions, planned to run in the second half of the summer term, before children go to their senior school.

I was lucky to find a primary school interested in being a "guinea pig" – Grange Junior School. We began with a brief introduction about the programme called FLIPS (Financial Literacy In Primary Schools) and about my work as a Money Advice Co-ordinator. The children were invited to ask questions and I was amazed by their immediate interest. Do I get angry with clients, and do they get angry with me? Do they ever cry? Do I help rich people, as well as poor? Do I like my work? How many

debt cases do we deal with? Do we help parents who had split up? Had clients killed themselves because of debt and so on.

We carried on with a pocket money survey, without individual children being identifiable. They were asked what they had to do to get their pocket money and how they spent it, if they thought they were given enough and whether older children should have more than younger ones. Their eyes opened up when they were asked to spend an imaginary £100. Many made the obvious choices – sweets, clothes, comics and videos – but a large number wanted to save half. Some said that if they saved they would have more to spend in the end, and the word "invest" cropped up.

We looked at spending priorities "must haves" and "could do withouts", and I was surprised at how perceptive they were and the reasons they gave for their choices. We must pay the rent for shelter, or we would be kicked out. Clothes were important too – but not for adults, "as they don't grow". Some decided I had left out some essentials from my list and added "beer money and lottery tickets"!

Another exercise asked children what they thought were essential items to their parents and answers ranged from "money, love and lottery tickets" to "their children"! "What could parents do without" brought the answer "children arguing". However, many of the answers related to items of expenditure in a household budget.

In a second lesson we looked at reasons why people got into debt, and they managed to name every one that could think of including – addiction and gambling. We then moved on to what happens to debts when someone dies, how you get essential medicine, and if

your business partner disappears whether you have to pay his share of the debts; what happens to assets if there is no will and questions about insurance?

A further advanced, budgeting exercise posed no problems. They had to save £200 per month from a couple's budget, because of unemployment. One thought savings set aside for a holiday could be reduced, e.g. B & B is much cheaper, it could be difficult to give up smoking, but perhaps they could reduce the number they smoked.

They thought I had been too extravagant with the housekeeping and perhaps I should consider buying "own brand products". Some suggested cutting down on phone calls – perhaps making calls after 8 p.m. as they were free if you had cable. Many saw the phone as an essential item.



The programme continues with lessons on basic banking, history and the evolution of money, including bartering, savings and fraud. I've been delighted with the children's enthusiasm and absolutely amazed at their contribution. Some have told me how pleased their parents are that these lessons are taking place. I hope that after evaluation, a pack can be put together for use in any primary school.

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Money Matters is pleased to be able to bring you a short summary of the joint CDN - Guarantee Foundation European Conference recently held in Finland. A full conference report will be published by the Guarantee Foundation in the near future. It is hoped that **Money Matters** will be able to reproduce the four individual presentations given in a later issue.

AULANKO CONFERENCE FINLAND SEPT. 1997



Aapo Kaisti, the Guarantee Foundation

Debt advice networking – ways forward

The European Conference on “Debt advice networking – ways forward” was held in Aulanko Conference Centre, Hämeenlinna, Finland on the 3–5 September 1997. This extremely successful conference was a joint event planned by The Guarantee Foundation and Consumer Debt Net. Hosted by The Guarantee Foundation the conference was opened by their Executive Director Leena Veikkola who thanked the numerous sponsors of the conference including the European Commission, DGXXIV Consumer Policy Unit, The Nordic Council of Ministers, The Finnish Ministries of Justice and Social Affairs and Health, the National Consumer Administration and the Finnish Slot Machine Association.

Network useful in social work

Ms. Veikkola went on to explain that Networking can be very useful particularly in a social work setting where the individual may not be aware of their rights and that for this reason it is the role and responsibility of authorities to see that the person is guided to all possible sources of help. She pointed out that Consumer Debt Net is a pioneer at the European



Jens Ring, the European Commission, DGXXIV, Consumer Policy Unit.

level in consumer debt affairs, that it has many achievements to its credit and that the time is right for it to be developed in a positive direction enabling every European country to have its voice heard.

The conference theme was the subject of key note speeches and formed the basis for the majority of the fifteen workshops. It also provided delegates with the opportunity to hear four individual presentations.

Financial services

The opening speaker Mr. Jens Rings, representing the European Commission, DGXXIV, Consumer Policy Unit gave an extremely interesting and informative speech, the subject of which was “What is the EU doing to deal with overindebtedness”. He highlighted the Commission’s approach to consumer policy. This was, he said, based on the perception that the marketplace is considerably biased against consumers, particularly in the field of financial services.

The policy aims were to treat consumers as responsible adults in charge of their own lives rather than as immature children unable to take care of themselves, this is the reason that the Commission talk about consumer policy rather than consumer protection. He continued by providing information on the recent communication “Financial Services: Enhancing Consumer Confidence” document COM (97) 309 adopted by the Commission on 26th June 1997.

This documented the Commission’s response to questions and issues raised by the Green paper “Meeting Consumer Expectations”. It recognises the importance of financial services in the consumer’s everyday life and addresses a number of

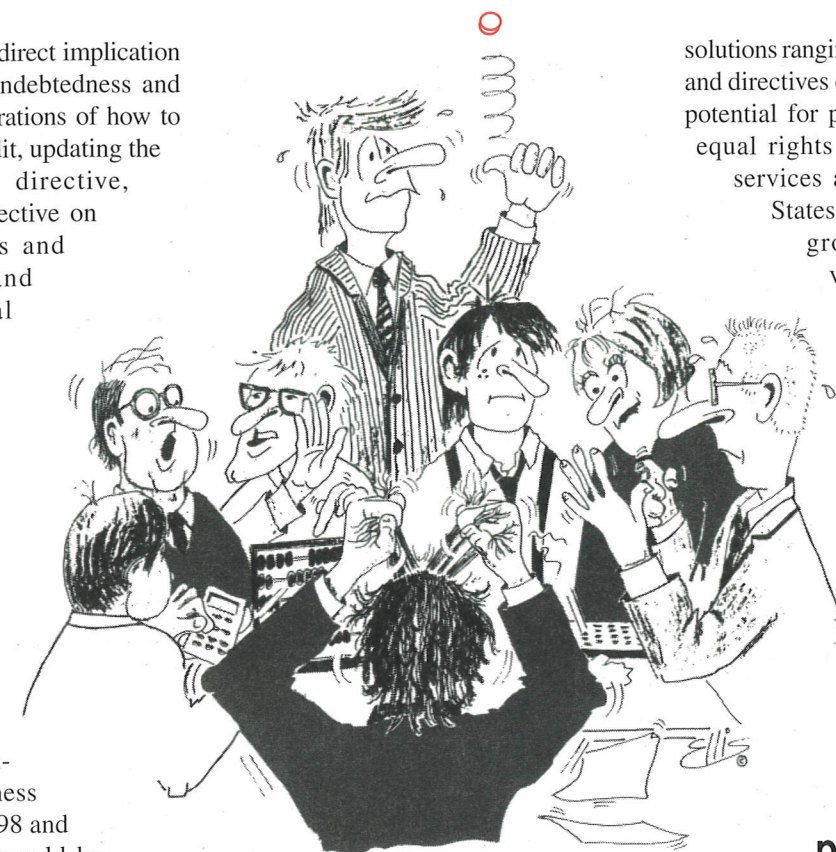
themes that will have a direct implication for debt advice, over-indebtedness and debt, including considerations of how to deal with mortgage credit, updating the consumer credit directive, opportunities for a directive on credit intermediaries and overindebtedness and access to financial services.

Moving to the subject of over-indebtedness he explained that this would not be the subject of legislation at this stage but that the Commission would continue to monitor the situation. However, he did point out that a number of pilot initiatives on overindebtedness may be launched in 1998 and that the Commission would be inviting proposals later in the year.

In concluding his speech Mr. Rings stated that the Commission had been and would continue to be interested in contributing to the solution of the problem of overindebtedness, that specific support for networks and pilot projects would be continued and further developed and that a comprehensive legislative and non legislative action programme is under way that would indirectly influence the environment in which overindebtedness occurs.

Debt and Social Exclusion

The second speakers for the first day were Christian Poppe from The National Institute for Consumer Research, Norway and Elaine Kempson of the Policy Studies Institute, London. They gave a joint presentation on the subject of Debt and Social Exclusion. This topic, dealing with one of the fundamental issues relating to debt, was approached in a way that allowed the presenters to provide more than anecdotal evidence. They quite clearly evidenced the link between debt and social exclusion and



solutions ranging from community studies and directives on overindebtedness to the potential for promoting social banking, equal rights of access to goods and services and the duty of Member States to educate all consumer groups with emphasis on vulnerable groups. He concluded by saying that the Community should be concerned that so many of its citizens are being excluded from full benefit of the Internal Market and that producers should be concerned that such a large part of the potential market remains unrealised.

What is poverty?

went on to prove the need for more research into this area.

The second day

The theme for the speakers on the second day of the event was “A consumer is a consumer, is a consumer – when is a consumer not a consumer?” In his speech William Fagan, Director of Consumer Affairs, Ireland spoke about the requirements of Article 129A of the European Union Treaty (as amended by the Treaty of Amsterdam) in relation to consumer protection, right to information, education and to organise themselves in order to safeguard their interests and the definition of a “consumer” as laid down in Article 1(2) of the Consumer Credit Directive 87/102.

He went on to consider the issues of vulnerability and exclusion explaining that the poor pay more and that vulnerable consumers lack information to allow them to make informed consumer choices.

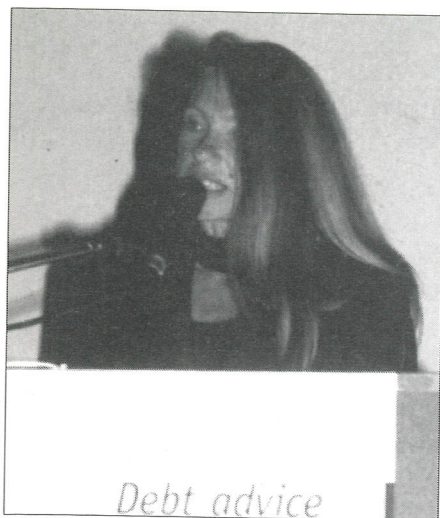
Mr Fagan identified some possible

The second speaker of the session was Joan Conlin, Vice Chair of CDN who opened her speech by asking “What is poverty and how should it be defined?” using the definition applied by the European Council of Ministers. She went on to say that poverty and inequality go hand in hand. In answer to the title question of the session “When is consumer not a consumer?”, she answered, “When that consumer is poor or is living in poverty.”

Ms. Conlin went on to detail several key consumer principles including, access, choice, information, equity, redress and representation and then explained how those living in poverty were not able to benefit from these principles and therefore suffered further exclusion. She suggested solutions including, facilities to access low interest credit, provision of well funded independent money/debt advice services, promotion of a system of justice that is responsive to the needs of the individual especially those suffering social exclusion, developing appropriate alternatives to litigation that are accessible and non threatening. The final suggestion towards a solution was a

request that the officers of the EC work together to develop joint approaches and initiatives to deal with debt issues and that further encouragement of networks like CDN should be supported and encouraged.

The day continued with excellent and stimulating presentations from Bettina Harsleben, Germany on Prisoners and Overindebtedness, Isabel Mendes Cabecadas, Portugal on the Situation in Portugal, Melina Mousouraki, Greece on the Situation in Greece and Ms. Bozena Kazlauskienė, Lithuania on the Situation in Lithuania.



Bettina Harsleben, Germany

Over the period of the conference a wide range of workshops were led by speakers who are recognised as having a high level of expertise. Workshops included, Social Banking, Networks to Combat Overindebtedness, Can Overindebtedness be Prevented, Insolvency Legislation, The Need for National Associations, Public Utilities, Budget Standards to Prevent Deprivation, Social Policy and Overindebtedness, Consumer Protection and Marketing and Debtor Protection.

The final day of the conference was dedicated to feedback from the workshops on Collection Watch, Research Network and CDN - Moving Forward.

CDN – The European Network

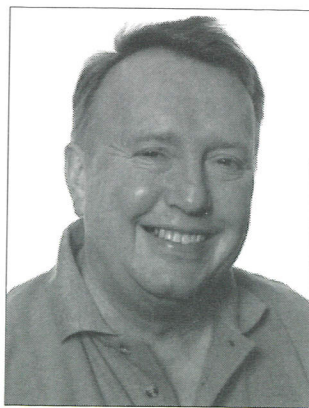
Workshop leaders : Hans Näslund, Sweden, Joan Conlin, Scotland, Leena Veikkola, Finland.

This workshop was held on both of the first two days of the conference, participants discussed different ways of organizing the future structure of the network. Members heard how at the Stockholm conference in 1994 a funding group of five people was appointed and that the group later co-opted an Irish representative and then a Finnish colleague. The group had worked hard to meet the clearly defined remit laid down for it in Stockholm of addressing funding issues. This was first dealt with by securing funding to start the CDN newsletter "Money Matters" and it has since been involved in organising two conferences.

At the Pitlochry Conference in March 96 it was decided that options for the future structure of CDN would be discussed and put to the Finland conference in 1997 for a decision.

Discussions in both workshops clearly demonstrated the enthusiasm and support for the network whilst acknowledging that it should attempt to reflect the needs and structures of money advice in all European countries.

Proposals from the two workshops were put forward to the conference and were agreed upon by the conference.



Hans Näslund, Sweden

Proposals for taking CDN forward to a new structure were:

1. Before the 1st November 1997 each country should nominate one member to represent them on the new Consumer Debt Net Board.

It was agreed that these people should have broad contacts in their home-countries and should take on the responsibility for developing and informing national networks of the work of CDN. It was also decided that each member would be obliged to investigate the possibilities for securing national funding for Consumer Debt Net.

2. At their first meeting of the Board it must decide upon a new Business Plan. It must also elect from members of the Board an Executive Working Committee made up of 6 to 10 people. (In order to assist the Board a draft Business Plan had been prepared and this was presented to the conference.)

It was stressed that the Working Committee should have a very broad knowledge in the field of household economy, debt counseling and money advice, e.g. giving budget and debt advice, dealing with legislation and directives. It was also stressed that members should be drawn from the wide spectrum of those working with debt related issues including those working in Non-Governmental Organisations, local councils or municipalities and government agencies.

3. It was agreed by the conference that both Ireland and the Netherlands continue with their planning for future CDN conferences in 1998 and 2000.

4. The first meeting of the Board will take place in Brussels in December 1997.

Collection Watch

Workshop leaders: Norman Laws, England (Collection Watch coordinator), Mark Mansfield, England, Ulf Groth, Germany.

Coordinator: Reijo Aarnio, Finland.

Introduction

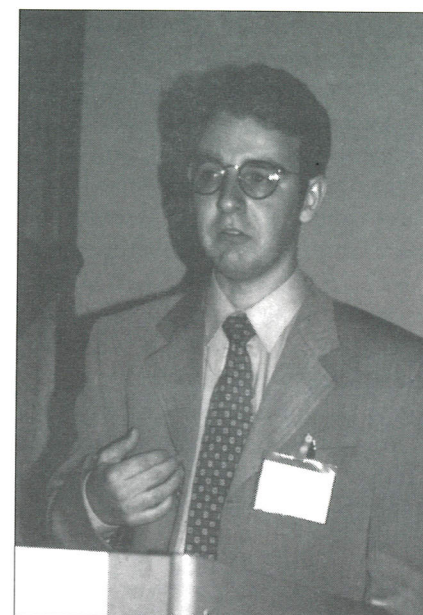
The workshop leaders started the workshop by providing background information about the reasons why Collection Watch was needed and the aims of the project. They explained that many debt counselling agencies are coming into contact with debt collection companies on a daily basis and that this dramatically affected the work of the agencies. Many of whom are having to adapt their service deliveries, strategies and resources to deal with the issues raised by these companies and their practices. The following is a brief summary of the information passed to participants

Consumer Debt Net initiated the "Collection Watch" project to collect information on a range of subjects connected to debt collection practices. The main categories of information are:

- Legislation about debt collection in the different European states.
- Licences for collection companies and the regulation of licences.
- Allowed collection costs.
- Case law relevant to collection activities.
- Cross border activities of collection companies.
- Special problems and issues raised by debt counselling.

The existing Collection Watch project is an adaptation of Ulf Groth's original idea, it attempts to progress and support the aims and objectives of CDN and to collect information regarding aspects of debt recovery practices in member states and identify issues of concern. DGXXIV, Consumer Policy Unit, European Commission has acknowledged this project as an expert group and provides resources in support of the projects work.

Collection Watch aims to improve access to justice for vulnerable



Mark Mansfield, England

consumers by collecting and collating information relating to debt recovery and by using that information to influence policy at an EU level.

The first draft of a working paper was the main subject for discussion in the workshop.

The paper is the result of a questionnaire and is intended to be used to further progress the aims of CDN by establishing Collection Watch and to attract further resources from the Commission to carry out more comprehensive research.

It was recognised that the project must be implemented strategically whilst trying to achieve CDN objectives. The group considered the current debt recovery practices and issues of concern that were raised by each of the representatives on the group. The fourteen countries represented were: Austria, Iceland, Belgium, Luxembourg, Finland, Sweden, Germany, Ireland, Switzerland, Scotland, Greece, Norway,

England and Holland. This group may be extended as we are in contact with Denmark, Italy, Spain and Portugal.

The issues of common concern were;

- ❖ Assignment of wages. The problems surrounding the use of assignment of wages, both before and after court action. The related problem of multiple assignments was identified as a relevant issue.
- ❖ Costs (ceilings of charges) and the method of calculating the costs. In particular the group identified inconsistencies in how costs are determined and the difference between contractual costs and statutory costs determined in courts.
- ❖ Regulation of debt collectors. The different legislation and whether that regulation was effective.
- ❖ Methods of collection and practices. The group included the issue of the added complications introduced by the use of agents. The issue of enforcement in the courts and the practices involved in the use of the legal system.
- ❖ Rights of redress for the debtor. The group identified a number of areas of concern relating to rights of redress including illegal harassment, rules regulating or defining what is or isn't harassment, the penalties of excessive costs and any access to the legal system to address these costs, and the wrongful removal of goods.
- ❖ Re-cycling of debt. The problems of communication and negotiation between company, adviser and consumer were identified as being problematic when there was the continual passing of a debt account from one company to another. Also the selling of debts to companies was identified as creating a different environment for the collection strategies.

- ❖ Regulation of creditors and not the state. The group noted the concern regarding the special powers of the state in collecting their debts. The lack of reference to the courts was seen as a major problem.
- ❖ Imprisonment of debtors. The aim was to identify different types of debt and the circumstances which could result in imprisonment. The group want to assess the likely consequences for the individual but also the social implications and the effect that such draconian measures have on the commercial sector. What are the safeguards and are they effective and should there be a Europe-wide ban on imprisonment for civil debts.
- ❖ Minimum household income/equipment and the links to how much debt collection agencies can collect. The ability to pay was raised as a

problematic area with discrepancies regarding attitudes and rules protecting minimum levels of income.

- ❖ The range of protection afforded to the debtor in respect of their home, their possessions and their access to essential services was deemed to be of special significance by the group. The concerns included whether the protection of the law was effective and whether there was scope for harmonisation of legal protection throughout European states,
- ❖ The problems caused by cross border debt collection raised concern. The impact of the single market and the differing levels of consumer protection between countries was deemed to be a cause of substantial problems. The group also considered that these problems would be likely to become more apparent in the future.

At the workshop the participants confirmed these area as being problematic and of interest to all participants. The way forward was identified as;

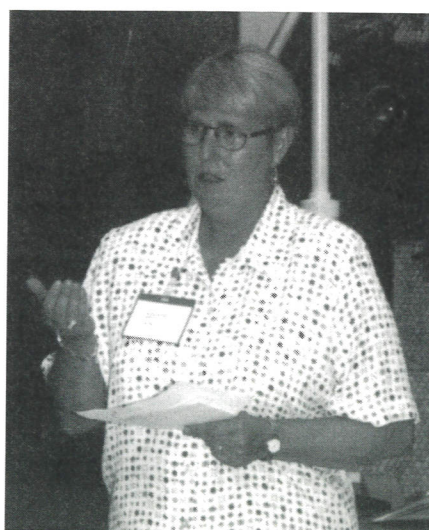
- ❖ Carrying out a more detailed exercise to bring additional information to the report.
- ❖ The results of the final report will be useful in trying to influence policy at National level.
- ❖ That the results should enable organisations at many levels to set a new agenda on over-indebtedness.
- ❖ That the results are likely to be of interest to the credit industry and that there may be areas for mutual progression and lobbying.
- ❖ That there is a clear need for substantial resources to further the work of Collection Watch and its projects and specifically this project.

European Network of Debt Research

Workshop leaders: Birgitta Klingander, Sweden, Leena Aatola, Finland, Juhani Iivari, Finland.

This workshop under the title "Establishing a network for researchers" was repeated on days one and two of the conference. Participants heard that in previous conferences research into the subject of money and debt advice had depended solely on the interests and contacts of individual researchers and that this conference had not only brought research to the foreground but also the need for research and co-operation to be widely considered.

It was explained that the workshop was held in conjunction with a conference on practical problems for two reasons, firstly because the objectives of research are closely linked with practical



Birgitta Klingander, Sweden

problems and secondly in order to emphasise the utilisation of research results in development and practical application of activities, legislation and methods.

Participants attending the two workshops included researchers in the fields of consumer economics, social policy, social work, health care sciences and psychology, as well as money advisers interested in developing the work they do and other interested parties.

At the Wednesday workshop researchers from various fields and various agencies, including research institutes, both government supported and independent and researchers from universities, presented some of their



work. The scope of the main areas related to debt are Economic, Judicial, Social and Health, clearly demonstrating that debt impacts on various areas, that the subject matter is complex and that a lot of interesting research has been done and is ongoing concerning debt in a broad sense.

At the second workshop it was decided to start a research network named EUROPEAN NETWORK OF DEBT RESEARCH or ENDR. Participants had many ideas and it is intended to develop these at a practical

level. For the moment, exchange of information is the main objective. However, it is expected that the network will develop research programmes in the very near future. The group expressed a desire to co-operate with people who work at grassroots level in order to develop research work on debt.

The network will be accessible to all researchers and other interested parties, and will deal with debt issues with the aim of bringing together different points of view and fields of research. The network will focus and centre on questions concerning the everyday life of the consumer in a problem orientated and interdisciplinary way. The keywords are understanding, reflection, improving and empowerment.

It was decided to form an open dynamic network. Projects will arise spontaneously so that researchers are

able to contact anyone who deals with a similar research topic. The network will be developed and incorporated in "KULTU" which is the Finnish database group for Consumer Research (kuluttajatutkimus). Kultu is already up and running on the Internet. The abbreviation "kultu" means literally "little darling" in Finnish. It was decided to use "Money Matters" as another medium for promoting research and exchanging information.

There was great enthusiasm among the participants in the workshop who are determined to see the network flourish and realise the potential that exists with dedicated members. The workshop nominated Ailish McIntyre and Birgitta Klingander to ensure that debt researchers will meet again next year under the umbrella of Consumer Debt Net.

Budget Standards to prevent deprivation

Workshop leaders: Ann-Mari Rydell, Sweden, Pirkko Grönlund, Finland.

Co-ordinator: Marianne Rikama and Henry Junhunen, Finland.

This workshop looked at the use of budget standards to prevent deprivation and considered both the Swedish and the Finnish methods of calculating budget standards. Both of these models are based on the Nordic Council system of a shopping basket of goods and a reasonable standard or modest but adequate standard of living.

Arguments *against* the use of budget standards were put to the group including:

- ❖ budget standards could raise the level of benefits,
- ❖ they prevent the consumer from deciding for themselves what they buy,

❖ budget standards could be viewed as judgmental and peoples needs vary greatly.

The arguments *for* their use included:

- ❖ every article in the shopping basket represented a function rather than a particular product,
- ❖ budget standards are not used to tell people what they should buy but rather to demonstrate how much money is needed to live a decent life,
- ❖ budget standards do not stop freedom of choice rather, it is a low income that makes people have to choose which basic need they will meet.

Participants were interested to hear that the Finnish government were funding



Ann-Mari Rydell, Sweden

research on minimum standards for social security.

The workshop leaders clearly showed that budget standards could contribute to preventing deprivation.

The Need For A National Debt Advisors Association

Workshop leaders: Yvonne Gallacher, Scotland, Catriona Ni Charra, Ireland

Coordinator: Mirjami Sunila, Finland.

The workshop opened with a brief introduction of all participants and an overview of the situation in Finland. The workshop leaders then went on to describe the situation in their own countries of Scotland and Ireland.

This was followed by a discussion around various issues arising from the presentations and the group arrived at the following conclusions:

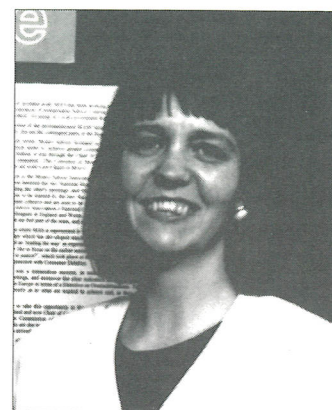
- There is a need for an independent organisation to represent debt and money advisers.
- There is a need for a European Network of professional debt/money advisers.

- There should be nationally agreed software for use by national organisations.

During the discussion there was some concern voiced about some issues including the following:

- There was a need for all debt/money advisers voices to be heard.
- There was a need for general (not specific) agreements.
- There had to be flexibility (amongst organisations).

Yvonne Gallacher and Catriona Ni Charra drew up a questionnaire which was circulated to the workshop participants and to conference delegates



Yvonne Gallacher, Scotland

whose country was not represented within the workshop.

Copies of the Questionnaire were given to the Conference Organisers, but are also available from Catriona.

"Can Overindebtedness be prevented?"

Workshop leaders: Nick Whitton, England, Per Arne Stolanowski, Norway.

Co-ordinator: Irma Ryyänen, Finland

This workshop brought together participants from ten countries who listened to presentations from Norway, England, and Finland.

Per Arne Stolanowski, from Norway, firstly took people through an analytical model which he found helpful in tackling the subject matter of the workshop. He went on to offer a definition of overindebtedness and to look at the causes of problems under three broad categories – individual, social and structural. As the causes of overindebtedness are multi dimensional, he

argued that a similarly broad spectrum approach needed to be taken in designing prevention strategies. He looked at prevention work using a three-level model which was common in social work:

1. Working to avoid problems occurring.
2. Working to avoid existing problems from becoming worse.
3. Working to avoid existing problems creating consequential difficulties.

He described a number of initiatives under each of the above headings, for

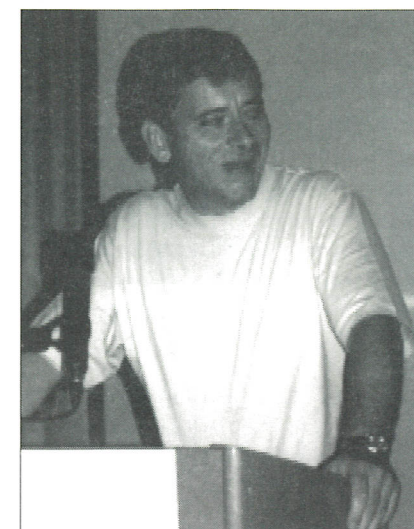
example educating consumers, counselling and promoting attitude changes. He concluded that a long-term strategy based on educating young people held the greatest chance of changing peoples' attitudes and values.

Nick Whitton, from England, divided prevention strategists into two broad schools structuralists and behaviorists. He described a series of problems for both schools, based on UK research, which he suggested meant that it was harder to find effective prevention strategies than might at first appear. He

went on to detail the results from a small scale investigation into the prevention work currently being undertaken by UK based money advice services. Finally, he offered some suggestions for ways in which the present picture might be improved, laying particular emphasis on Minimum Income Standards and the need to get support to people early in the cycle of developing problems.

Irma Ryyänen, described debt counselling services in Finland which she felt were, in the main, unable to undertake prevention work because of the demand from people who were already in difficulties. She also described the adult education work undertaken in this field by the University of Helsinki and outlined some of the research currently being undertaken in Finland. Like other commentators, she laid particular emphasis on the need to educate young consumers.

(All the presenters prepared background papers which were supplied to the participants. They are available to others on application to the authors.)



Nick Whitton, England

A lively discussion led on from the presentations with a large number of the workshop participants contributing to the debate. People offered both their experiences and suggestions for action which might help to prevent debt problems. The following action points emerged from the discussions:

- ❖ There was a need for more and better consumer education. Those educational initiatives should be better targeted and timely.
- ❖ People need advice and support earlier in the process, at the time that problems are beginning to emerge and before they become intractable. Work needs to be done on identifying better indicators so that services can be targeted at those most in need. There need to be incentives, encouraging people to seek advice, built into the enforcement system using structures similar to the 'cooling off' provisions in consumer protection legislation.
- ❖ Creditors should be required to show that they have behaved responsibly as a pre-condition of enforcing for non-payment.
- ❖ Legislation should give people a proper chance to re-start.
- ❖ All countries should adopt Minimum Income Standards to ensure that problems stemming from sickness, loss of a job etc. are minimised.

Debtor Protection by Legislation, Credit Information and Consumer Advice

Workshop Leader : William Fagan, Director of Consumer Affairs, Ireland.

Co-ordinator: Päivi Hentunen, Finland.



William Fagan, Director of Consumer Affairs, Ireland

Participants in this workshop formulated an approach based on legislation, credit information and consumer advice. They decided that prevention is better than cure but recognised that it was not always easy to achieve and therefore they framed their solution around both prevention and cure.

Prevention

Cooling off periods can be very useful in preventing debt.

Debtors should be encouraged to take early advice on debts.

Creditor co-operation could be ensured by placing them under an obligation to draw attention to the existence of debt advice.

It could be made an offence to knowingly overlend to a consumer or alternatively this could be dealt with through non-enforceability provisions.

There could be a duty on lenders to fully explain the terms of credit agreements.

All credit agreements should be in

writing and a copy given to the consumer. The question of a "duty of care" on lenders should be considered.

Compulsory payment insurance (at a reasonable price) could be considered.

Cure

- Imprisonment for debts should be banned.

- Voluntary schemes should be put into action first before proceeding to the insolvency stage.
- Various debt rescheduling schemes in Member States (e.g. Denmark) should be studied for general applicability.
- Discharge periods vary enormously – is there a case for harmonisation?
- Credit Reference agencies operate

under private rules and these vary greatly – should they be subject to public law?

- Should it be compulsory to take debt advice before going to Court?

All of these are issues for Europe as harmonisation will become essential in an era of cross border debts – particularly after the Euro is introduced.

Public Utilities – Availability To Overindebted Consumers

Workshop Leader: Ian Ford, England.

Co-ordinator: Sirpa Saari, Finland

The workshop focused on six main areas, with the aim of examining areas of good practice and looking at ways to develop these areas in participant's own countries and in Europe as a whole.

The workshop leader posed the question, What is a Public Utility? He explained that there is not an agreed definition but that for the purposes of the workshop he would use the UK definition:

- Water Supply
- Electricity Supply
- Gas Supply
- Telephone Services

The term "public utility" means supply from the state or a large corporate, often monopoly supplier.

What controls Availability?

The six areas were focused on as controlling availability were:

1. Price

What is the proportion of the expenditure of an average household spent on utilities?

What is the proportion of the expenditure of the lowest income families spent on utilities?

How are prices controlled – government policy, free market, independent regulatory body?

Is there a social dimension in pricing policy or is it a purely economic issue?

2. Assistance with payments

If pricing is an economic issue, is there help with payments

- from the state?
- from elsewhere?

3. Assistance with economy of use

Does the state provide assistance with insulation, water efficient appliances, etc.?

Do supply companies provide that assistance – if so, from choice or obligation?

4. Sanctions for non payment

Can supply be disconnected because a consumer is in debt?

Are pre-payment devices which cut off supply when the consumer cannot pay allowed – if so for which utilities?

What other sanctions can be used against customers who cannot pay their bills?



Ian Ford, England

5. Control of debt recovery policy

How far does the law control this – for instance, do the courts determine how quickly a consumer must pay off arrears? Is there any other independent arbitration for consumers?

6. How are consumers interests represented?

Social Banking

Workshop Leaders: Jan Siebols, Netherlands. Liam Edwards, Ireland.

Co-ordinator: Marika Lohi, Finland.

This workshop was looking at two differing approaches to the issue of Social Banking with the purpose of identifying alternative banking systems, bearing in mind that what works in one country will not always work in another.

Liam Edwards considered it in a more flexible way, he first of all outlined the Irish solution to an Irish problem. He provide information about the Money Advice and Budgeting Services in Ireland and their link with Credit Unions. He went on to define a credit union as a financial co-operative, specifically as an example of a consumer co-operative. In the case of credit unions the goods and services the consumer purchases are the encouragement of savings and the provision of low interest credit. He explained that credit unions enable the member on a low income to save and borrow small amounts, there are dividends on savings but these can vary between normally 4–6% and interest on loans is fixed at 1% per month of the outstanding balance. Many credit unions also operate free budget accounts to enable their members to pay regular bills as well as a cheque cashing facility. They can also accept payments by standing order through a bank and some of the bigger credit unions are also installing ATMs.

Because of the strong links with the credit unions customers using money advice services can avail themselves of the credit union services.

When the advisor is working with the customer to prepare a budget plan, prioritise debts and work out a repayment plan there is an option to open a "special budget account" allowing the customer to pay a fixed sum into the credit union weekly to cover outstanding debts including arrears and current expenditure for rent and energy. This money is then

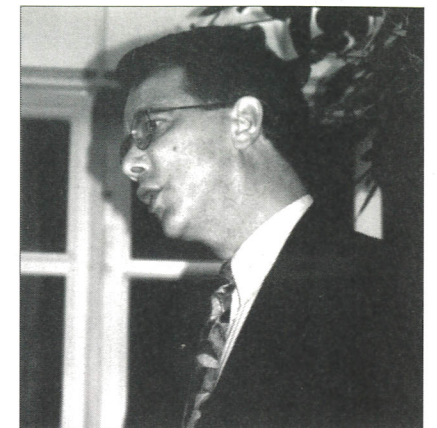
paid to creditors as instructed by the advisor on a monthly basis. The member is encouraged to save a small amount weekly thus allowing them to borrow in the future. Even before the member qualifies for a loan the advisor can guarantee a loan as there is a small loan guarantee fund lodged with each credit union. These loans are normally made to cope with a crisis situation rather than to repay current debts. The system of consolidating debts and giving one loan has not worked in Ireland.

Mr. Edwards went on to pose some questions about different forms of social banking and who should qualify for them and how people would qualify. He explained that people need to use banking services for four main reasons:

- to save,
- to borrow,
- to cash cheques,
- to pay bills,

and that frequently people were excluded from banking services for a variety of reasons and sometimes driven to alternative sources of credit including licensed and unlicensed moneylenders and mail order companies and the high risks, high interest rates, high collection and administration costs that accompany these lenders.

Jan Siebols introduced his part of the workshop by explaining the unique municipal banking system that exists in the Netherlands. This system has its roots in the fight against Usury from the beginning of this century. These banks are still used as a method of helping people who are in financial distress. In 1979 the NVVK (national umbrella organisation of the municipal banks) accepted a Code of Conduct for Debt Regulation, which opened up the way to a more uniform approach of debt settlement, which up till then had been done according to the methods and ideals



Jan Siebols, Netherlands

of each individual bank. Now 18 years later the original code is still in general use but for one minor adjustment.

The municipal banks however are also experts in granting loans to people with lower incomes and indeed the larger offices are also active in the commercial sector of consumer credit.

The Dutch government has recently ordered a revision of the Bankruptcy Act of 1896 in relation to debt regulation for individuals, it had been decided that the new Act will be based on the municipal banks Code of Conduct.

The new Act states that before applying to court for a legal remedy all possibilities for voluntary debt settlement must have been tried and the municipal banks have to confirm that this has been properly done before anyone can turn to the court procedure.

It is becoming apparent that the municipal banks will be one of the key partners in executing the new Act and that 25 million Dutch Guilders per year will be available. This money will allow our members to be trained, responsibilities defined and parameters laid out, and of course new programming and all of the other things that accompany this major development.

Consumer Debt Net Aims and Objectives

"The network shall deal with debt and budget advice, budget standards, household economic analysis, consumer and social problems due to overindebtedness."

The main objective of the network is to encourage member organisations to provide practical action to prevent consumer overindebtedness and to facilitate consumer assistance by the provision of budget and debt advice. The network will also strive to achieve exchanges of information and research results which may provide more general knowledge of such practices and the way in which they are handled in various countries.

Consumer Debt Net will:

- establish and maintain an up to date list of contacts in each participating country,
- maintain regular contacts, in particular by means of an annual conference and exchanges of view on matters of topical interest through multilateral contacts of all kinds,
- mutually exchange information to enable members to gain an overview of each others methods, legal and administrative arrangements,
- to work towards better and commonly accepted methodology and definitions relating to debt advice, budget standards and debt prevention throughout Europe,
- collect information on creditors practice and procedures in relation to consumers and to co-operate informally at an operating level in preventing marketing malpractice's as they arise. Participants should use their best endeavours to assist each other, subject to national law and practice and availability of resources,
- organisation of special training for advisers,
- planning and realisation of collective actions in European countries,
- intervention on European legislation, for example in relation to debt settlement, credit rules and bankruptcy laws.

Participation is open to organisations from each European country, who would normally be involved with budget advice, debt settlement, debt counselling or budget standards, though for certain countries other arrangements may be necessary.

THE EUROPEAN CONSUMER DEBT NETWORK

A project supported by the Nordic Council of Ministers

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